



**Response to Request for Information from the
House Insurance Committee on Interim Charges**

**Submitted by the Texas Association of Life and Health Insurers
September 2020**

Members of the House Insurance Committee:

Thank you for the opportunity to respond to your recent request for information. TALHI represents over 100 insurance companies that provide life, accident and health, long term care insurance, and annuities to Texans.

What is the anticipated impact of the COVID-19 pandemic on health insurance premiums and the health insurance market moving forward?

The shelter-in-place orders and limitations on elective procedures have delayed countless medical interventions that would have taken place this year and pushed them into next year. As a result, not only will next year's typical utilization occur, but the costs of delayed medical care that would have occurred this year will be deferred into next year. Additionally, delaying care often complicates a person's medical condition, requiring more costly interventions down the road and adding increased cost to health care expenses. These projections have led to modest increases in health insurance rates for next year.

Insurers are not allowed to include past losses in prospective premium rates. For solvency purposes, health insurers must base prospective rates on established health care actuarial models that project future utilization; in fact, rates are filed months and months in advance with the regulatory agencies. TDI reviews proposed rates to ensure that they are actuarially sound, i.e. not too low, and not too excessive. When actual health costs are lower than expected, health insurers are required by law to issue refunds to consumers or their employers. The almost certain existence of the COVID-19 pandemic continuing into the fall and winter will continue to have a compounding effect on usage, costs, premiums, and the level of health care that covered persons push into the next year.

When the coronavirus pandemic began to impact communities in our state, Texas health plans eliminated patient cost-sharing for COVID-19 testing and treatment **prior to** any government requirements.

Health insurers also took steps to make access to care easier and more affordable and to eliminate the need for anyone to delay care. Those measures included:

- Expanding access to telehealth for all illnesses
- Launching new mental health services
- Grace periods and premium credits/discounts
- Revised payment models for out-of-network providers

Health insurers have also made large investments in programs to support consumers, providers, and communities, including:

- Financial relief through direct donations to providers that are suffering a decline in business
- Prospective payments and value-based payment methods
- PPE distributions to consumers and providers

Other steps taken by health insurers to help customers with insurance costs:

- Extended the option to pay medical premiums via credit card
- Advised customers they can make incremental premium payments instead of all at once – if agreed to premium payments are received by designated deadlines (unless state mandates preclude)
- Informed customers they may qualify to receive an Advanced Premium Tax Credit (APTC) if they've experienced a decrease in income, or that they may qualify to change their plan through special enrollment periods if they've lost other coverage, and/or circumstances that may make them eligible for Medicaid
- Dental customers have been allowed to downgrade their plans to coverage with a lower premium or were allowed to "pause" coverage for several months and restart without penalty

Additionally, health insurers are assisting consumers who may have lost their employer-sponsored coverage through the loss of a job due to COVID by making them aware of special enrollment periods for health insurance exchanges. Though continued coverage is available through COBRA, those premiums are often difficult for the newly unemployed to afford.

How prevalent is price gouging related to COVID-19 testing?

The industry is seeing evidence that many labs and facilities, especially freestanding emergency centers, are engaging in practices that can be broadly described as gouging as well as engaging in abuse of the health care system. Indeed, there have been several stories in the press describing the practice.

Politico describes how one Texas health insurer was charged \$6,946 for a coronavirus test.

<https://www.politico.com/news/2020/06/08/coronavirus-test-costs-304058>

ProPublica describes how one \$175 coronavirus test generated thousands of dollars in additional charges (including facility fees and additional tacked-on services):

<https://www.propublica.org/article/how-a-covid-19-test-led-to-charges>

And, as recently as September 7, *ProPublica* released an article describing how an Austin freestanding emergency center charged a health insurer close to \$11,000 for a COVID test administered to one of its own physicians:

<https://www.keranews.org/health-science-tech/2020-09-07/an-austin-doctor-got-a-covid-19-test-from-his-own-company-it-billed-his-insurer-nearly-11-000>

In short, there are instances where providers have gouged Texas consumers and charged for additional services that are not necessarily warranted by patients' actual circumstances, which is tantamount to fraud. Unfortunately, there is no organized effort that focuses on health insurance fraud in Texas. Texas has a handful of special prosecutors charged with pursuing allegations of insurance fraud, which is typically prosecuted by the local District Attorney's office working with the Texas Department of Insurance. There are seven special prosecutors assigned as Assistant District Attorneys in Austin, Dallas, Fort Worth, Houston, San Antonio, and other areas. These seven prosecutors are responsible for addressing *all* insurance fraud – property and casualty (such as staged accidents and arson), agent fraud, and medical provider fraud. In summary, Texas lacks a cohesive and coordinated approach to combatting health insurance fraud.

What steps are being taken to prevent surprise medical billing associated with COVID-19 treatment?

Senate Bill 1264 passed during the last session sought to end surprise billing in Texas for all state-regulated insurance plans, including TRS and ERS. The legislation has been key to preventing surprise medical billing, overall, in Texas. So far it appears that most (85%) of the billing disputes submitted through June 2020 for review as a result of SB 1264 are from three physician staffing/billing companies in the emergency medical sector. This is noteworthy, as under the previous mediation law, emergency medicine represented only 10% of mediation requests--a clear change in behavior.

In some instances, it appears that the original charges for emergency medicine are greatly exaggerated over what the providers will accept as final payment in full, as illustrated in the TDI table provided below. Indeed, on average (according to TDI information) it appears that charges approach 2 ½ times (about 240% more) the amount agreed-to in non-arbitration informal settlement agreement. Because the numbers reported from TDI do not specify what services were billed, it is unclear what the reasonable cost for the emergency services may be, except that one can be certain that providers do not voluntarily agree to a loss. In one example, provided by TDI (see table below), one may infer that the cost of the emergency service is below \$612, while the emergency medical provider on average charges consumers \$1,497. In the two separate examples listed below, the agreed to final payment of \$612 is 60% less than the original billed amount that some consumers may actually end up paying.

The information and table below is from the [TDI six-month preliminary report](#) on Senate Bill 1264.

Requests with single claim for ER physician *	Informal settlement (example 1)	Decided by arbitrator (example 2)
Original bill	\$1,497	\$1,699
Original payment	\$144	\$229
Final amount	\$612	\$688

**Source: TDI*

Again, we appreciate this opportunity to provide information to the committee. If you have additional questions or need clarification regarding any of the information provided, please do not hesitate to contact me.



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